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Docket Unit
California Energy Commission
Docket No. 01-GGE-1
1516 Ninth Street, MS 4
Sacramento, California 95814-5512
DOCKET@energy.state.ca.us

RE: Comments on Proposal
Project Protocol

Dear Sir/ Madame:

Georgia-Pacific Corporation, GP, is one of the leading global forest product manufacturers with different forest products and chemical manufacturing facilities in California. The corporation, for years, has been involved in all variables of the climate change equation from development of technology and quantification methodologies to management of systems and emerging policy issues. The proposal we are commenting on appears to create an emerging policy issue about which we wish to offer our comments and recommendations.

Because of GP involvement in the early development of the concept and quantification of product carbon sequestration as a justifiable reduction element in the GHG inventory of entities and projects, we are very appreciative of the Registry's willingness and initiative to recognize such as a valid element in an entity's GHG inventory and registry. This step of the registry, although not explicitly mentioned in any of the three enabling pieces of California law- SB 1771, 527 and 812, it is neither prohibited.

In this sense, California law differs from Georgia law, substitute of SB 356, which establishes a registry for carbon sequestration but considers the registrant as any entity involved in any of three different listed human-induced activities creating removals by carbon sinks including product sinks since it adds "products" to ecosystem and crops in the Act's definition of sinks.

In spite of our support for the recognition of the concept and practice of product carbon sequestration we have concerns and objections to specific concepts and requirements of this draft proposal. Suffice to say that this announcement as it trickles down to different stakeholders in the product value chain, is creating concerns and stresses not unique to

GP's. We would like to note that early on April 28 the author, partially aware of the direction the drafting of Step 7 was taking, alerted the registry via e-mail to Ms. Jill Gravender and Ms. Michelle Passero of these concerns, suggesting another alternative based on the producer's registration with a developed methodology on this approach far superior in accuracy to the one proposed. No acknowledgement or response has been yet received on it. We are attaching the ZIP file included in the above mentioned communication since it is still pertinent to these proceedings.

In the following and in spite of the short time for commenting, we are submitting important points for your consideration and action. We reserve the right given to us in the announcement of May 13, to resubmit or add comments by the June 3 deadline.

Specific comments and suggestions.

- 1 This complex stage in the registry's development and the issuance of the proposal have been done in an accelerated fashion without proper involvement of different stakeholders who will be directly affected by this action or who have a reasonable interest on the issue.
- 2- The comment period for this proposal is extremely short without proper preparation for commenting (May 24) for a workshop (May 27) and final comments deadline by June 3. It is open for speculation the impact of biases that could be generated on comments received because of these two different commenting deadlines. As now scheduled, the practicality of the workshop to reflect comments received is certainly very limited and its usefulness questionable. In fact, it may help to perpetuate and reinforce misconceptions and errors without proper analysis of differences in opinion.
- 3- The proposal, as it pertains to the recording of projects into the registry as well as the calculation step No. 7, excludes without justification the manufacturers of the biomass products on which the calculations are made. Only the "forest entity" can register any quantity of the product carbon pool based on very inaccurate estimations. The rights of the manufacturer, who separately are encouraged to register its direct emissions in the registry, are ignored when the reporting and crediting are defined, this in spite the fact that there has been a purchasing transaction and discernable chain of custody. There is no reference about the "forest entity" accruing for the GHG emissions of the manufacturers in the production of those products. Thus this proposal structure penalizes the manufacturer for its GHG emissions but provides no credit for their contribution to the carbon product pool.
- 4- Nothing in the enabling statutes invoked by the registry seems to support either the granting to the "forest entity" the right of registration of credits or the prohibiting the manufacturer of these products from registering the credits. In fact paragraph 2) in the digest of SB 812 clearly states that the bill would "require the registry to adopt procedures and protocols for the reporting and certification of GHG emissions reductions resulting from a project or an action of the participant." It seems obvious that the only actions leading to the creation of products resulting in carbon sequestrations are those of the manufacturers.

- 5- Further, section 42801.1 (a) provides a definition for “ Annual emissions results” Indicating that in addition to annual emissions results, the participant may report data annually on emissions reductions from a project or other action, including the sequestration of stocks of carbon in forest. Such definition, under its “other action” language does not exclude the inclusion of sequestration in the carbon pool. In fact, it reflects very accurately a forest product manufacturing facility with the reporting of GHG emissions (direct, indirect, etc) and the product carbon sequestration from its annual production.
- 6- Consequently, it becomes evident that the registry proposal fails to heed the mandate in section 42823(c) by which the registry “shall adopt procedures and protocols for the reporting and certification of GHG emission reduction resulting from a project or an action of the participant”. The registry has excluded the manufacturing as a valid participant in contradiction and disregard to the mandate of the statute.
- 7- Likewise, the manufacturers of forest products are deprived of receiving one of the purposes of SB 1771, Article 2 (e); to recognize, publicize and promote registrants making voluntary reductions.
- 8- These statements about interpretations on the enabling statutes are the result of a reality not to be forgotten on these proceedings. It is that the product element in the sequestration was not envisioned during the legislative proceedings as it was clearly and explicitly discussed in the Georgia law. The proposal is an afterthought. Such a situation raises the question about the appropriateness of asking the legislature to clarify the controversy about the registration of this element of sequestration.
- 9- There are no scientific or economical reasons to deprive the manufacturers of the right to record in the registry. The harvested boles or longwood felled in the forest floor would become one more element of the “lying in the soil” component of the forest sequestration calculation were it not for manufacturing. It is the manufacturer, its investments, labor, innovations and the registry of its GHG emissions as a result of the manufacturing what makes possible the valid justification for recording its production in the registry. We clarify here that we do not see any damage to the forest entities by having the manufacturers register the carbon sequestration estimates. The market will take care of any real or perceived value added in the merchantable wood and reward the forest entities with adequate compensation.
- 10- The implications of this proposal that deprives the manufacturers of the due credit for its products are ecological, economical and political. An important one is the consideration of volumetric or material sustainability, one of the different elements in forest sustainability. Traditionally, the balance of harvest v. growth has been considered the criterion for this material sustainability. The proposal changes this traditional balance, by providing an additional quantity of harvesting to equate the new balance equation. The long-standing implications of this new consideration are difficult to quantify or define entirely in the brief time allocated for commenting but it appears significant. It is not difficult to anticipate unjustified allegations and misperceptions to and about the forestry sector in respect to a

de facto additional logging. These misperceptions would not contribute to the best utilization of resources and in the efforts for climate change amelioration.

- 11- We consider that the registration of both forest and product carbon sequestration should be extended to products of agricultural origin that may have limited but significant life cycle in use.
- 12- Regardless if the action by the state of California could be in theory limited to the state, and many commenters may or may not be considered “forest entities”, the fact is that the California experiment demonstrates that regulations from the state are frequently reflected beyond its boundaries affecting many other entities outside the state or even those without facilities in California. This is important in the consideration of who are the stakeholders on this issue and in the request for extension on the commenting period. California is too big and important a state to limit the stakeholders to a small circle.
- 13- A very preliminary review of the calculation step reveals quite a number of levels of estimation in order to ascertain the final product carbon pool quantity for crediting. Rather than starting at the manufacturer level, where production figures are very accurate and official, since they are part of the accounting and tax calculation and reporting, the proposal moves upstream without a tracking chain of custody. There is a complete lack of chain of custody from harvesting to production output. The levels of inaccuracy are compounded along the way from the boles that are brought to the manufacturing site and there converted into useful products. As proposed, questionable assumptions in the material or volumetric conversion of wood fiber into products have been made. Proper tracking into the different categories of forest products is also ignored. This process will inevitably be less accurate in quantifying the product carbon pool or would require excessive costs that will discourage prospective registrants.
- 14- Validators or certifiers of these credits in the manner proposed, and in view of the chain of custody deficiencies indicated in the above, will be hard pressed to provide a proper verification when so many different estimation steps are staggered in time. They could be open to all sorts of objections and added liabilities making the system unworkable by absenteeism.
- 15- The registry appears to have ignored other methods, more standing in longevity and peer scrutiny than the proposed. Such method, with international recognition by peers is available in an ISO publication, ISO 14047 and in other references on the web, and through the AF&PA and NCASI organizations of the industry. It is based on the accurate production output at the facility or entity and includes wide variety of forest products, solid wood and paper. Such information was advanced in a ZIP file to some members of the registry and review panel as mentioned above.
- 16- As indicated above, during the drafting process of the registry, some of its officials and members of the review committee, were alerted to such an alternative that more accurately and fairly allows the registration of the carbon

credits by the manufacturer. The accelerated manner and limited participation of stakeholders in this process may have made the commenting not timely enough for consideration in the initial draft proposal but certainly we respectfully submit it must be considered seriously in the course of these proceedings.

17- While we support as valid the concept of registering product carbon sequestration in products in use, and for a wide variety of product categories including paper and wood products, we firmly object to the manner in which reporting and crediting have been arbitrarily assigned to the "forest entity".

18- We respectfully request the extension of the commenting period for 60 more days and the re-proposing of this flawed proposal, at least in its product carbon sequestration element and pertinent links with the forest sequestration reporting.

We appreciate the opportunity to offer these comments and requests and stand ready to answer any questions or additional information to help in the establishing of a fair, practical and effective Protocol.

Respectfully,

A handwritten signature in blue ink, appearing to read "S. Galeano", with a stylized flourish at the end.

Sergio F. Galeano, Ph.D.
Senior Manager, Product Policy and Assurance

Enclosure- Zip file as mentioned in item 15 and above